

A letter to a gentleman in the country, giving an account of the two insurance-offices, the Fire-Office & Friendly-Society

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A LETTER TO A Gentleman in the Country, Giving an Account of the Two Insurance - Offices; *THE Fire-Office & Friendly-Society.*

Yours of the 15th Instant I Received; and that I might return a Satisfactory Answer, I have perused the Settlements of both the Offices: That of the *Fire-Office*, and that of the *Friendly Society*; and have sent you the Printed Papers of both, with the Observations I have made:

- I. *Upon the Validity of their Securities.*
- II. *Their Interest to preserve the Insured from Fire. And*
- III. *The Charge of Insuring.*

The Fund or Securities are these: That of the *Fire Office* is Ground Rents [Now] to the Value of *Fifty Thousand Pounds*, settled upon Trustees, to make good all Losses from Fire; and to be Increased, as the Number of Houses *Insured* Increase.

The Strength of this Security stands upon this Supposition, That the Fund is so Large, considering the Houses *Insured* are dispersed at several distances, That it is very improbable (unless the whole City be Destroyed at once) that any Loss at One time should exceed the *Fund*; and then it will be always the Interest of the *Insurers* (as of men that have Morgaged their Land for less than the Value) to pay the Debt when called for, to prevent a greater Loss, since the Land is of more Value than the Debt.

The Security of the *Friendly Society*, is the mutual Covenants between the *Insured* and *Insurers*: The Design is thus framed. The *Insured* deposite into the hands of the *Insurers*, *Six Shillings, Eight Pence*, for Insuring *One Hundred Pound* on a Brick House, and double for Timber; and Covenant to pay the residue of their *Premiums* when there shall be occasion, not exceeding *Thirty Shillings* for *One Hundred Pound* on a Brick House, and double on Timber, at one Loss. Upon Condition, That after such a Loss to be at Liberty to go off from the *Society*: Also they Covenant to pay *Sixteen Pence per Annum* for every Hundred Pound *Insured* on a

Brick House, and double on Timber, for the *Insurers* trouble and charge of *Holding Stakes, Collecting the Money, and Executing the*

Office,

under a penalty of *Losing their Money deposited; with the Benefit of being after Insured; and to be Casheired out of the Company,* if they do not pay their Rent within the time limited.

The *Insurers* Covenant with the *Insured*: And because they are Trusted with Money, give *Collateral Security,* to the Value of *Sixteen Thousand Pounds* to perform these Covenants.

1. To pay the Loss out of the Money deposited in their Hands, and Covenanted to be paid by the *Insured*, if it be sufficient.
2. To make a proportionable *Rate, Collect the Money,* and Answer for all those that are *Missing,* or prove *Insolvent.*
3. At the end of the Term, to pay back what is left in their Hands, (except the Yearly Rent) to each of the *Insured.*

The Strength of this Security stands upon this Supposition, That the *Premiums* deposited, and agreed to be paid by the *Insured,* are more than sufficient to pay the Loss: And therefore there is no provision made to pay those Losses which may at one time exceed the *Premiums*: For the *Sixteen Thousand Pounds* is not *Security for the Losses from Fire, but only for the Insolvent.*

The Insuring of Houses being a New Design, it is impossible to make a certain guess of the Strength of this Supposition; but that I might give you some Satisfaction, I have Examined its Foundation, by Enquiring into the *Profits* and *Loss* of the *Fire Office,* since their first Beginning, which I find thus:

That the *Fire Office* in Three Years hath *Insured* Four Thousand Houses; And the *Premiums* of one House with another, do Amount to about *Four pound ten shillings* the House: Which in the Total, is *Eighteen Thousand pounds,* and they have already paid Back for Losses above *Seven Thousand pounds,* besides Charges.

By which it is plain, That they have Repaid almost half the *Premiums,* before a Fourth part of the Terms (the Houses are *Insured* for) are Expired: For some Houses are *Insured* for *Seven;* some for *Eleven;* and some for *One and Twenty* Years. This

Calculation, any man that will Examine their Policy Books, will find to be True.

So that by what hitherto appears, its most probable, that the *Premium* will not be sufficient to pay the Losses; and that this Design seems to be Fram'd upon the imaginary Success of the *Fire Office*, encouraged by the common presumption generally believed, *That men never Set Up a New Invention without Hopes of a great advantage to themselves*; and not remembering how often the first undertakers are mistaken.

But supposing the *Premiums* should be more then sufficient to pay the Loss; it doth not appear to me, that any man is *Insured* for any certain term by the *Friendly Society*: For how can any man be *Insured* for *Seven* years, which is a term Certain, when the number of those that are to pay the Loss is Uncertain?

- 1. From the *Forfeiture* for Non-payment of Rent.
- 2. From the *Losses* occasioning many to go off.
- 3. From the daily *Expiration* of the Terms after the first *Seven* years.

So that tho' the number be sufficient, when a man first *Insures*. By all, or any of these *three* Accidents, there may be too few left to pay the Loss.

And this Argument seems to me to have the greater Force, because the *Fire Office* that was first Set Up

- Gives *Better Security*.
- Better *Preserves the Insured from Fire*. And
- *Insures At a Cheaper Rate*.

Which when Understood by those of the *Friendly Society*, It is reasonable to believe, many of them may alter their minds and go off.

First, The *Fire Office* gives Better Security, because Land was settled at first to the Value of *Thirty Thousand Pounds*, to make good the Loss, before a penny *Premium* was received; and the *Premiums* are settled in Proportion as the number of Houses *Insured* increase. But in the *Friendly Society* you have only the *Premiums* for Security.

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Secondly, The Older the Fire Office, The Better; but the Friendly Society, The Older, The Worse • for every Loss that happens to the *Friendly Society* being paid out of the *Premiums*, Lessens the Security: The Security is not so Large, when every man hath paid *Ten or Fifteen Shillings* a man towards a Loss as before: for tho by the Covenant, that a man is not at Liberty till after he hath *Paid his Thirty Shillings at one Loss*, the Security is the Better to Those whose Houses Are Burnt: Yet it is the Worse for Those that are Not Burnt; for they run the hazard of Losing the Value of their Houses and More, by paying *Nine and Twenty Shillings* a time, or less, towards Other mens Losses. Now both being Insured, it is the same thing whether their Houses be Lost by *Fire*, or by contributing to Others Losses.

But on the contrary, when a Loss happens to the *Fire Office*, It is paid out of the Bank of the Office: And the Land [which is the Fund] is never the Less; but the Older the Office grows, the Better; for as the terms of *Insuring* wears off, the Land is less Incumbred; and the Security is the Better to those that continue.

Secondly, In the Fire Office the Insured are better preserved from Fire, than in the *Friendly Society: It is more the Interest of the Insurers*: Because the Loss is their own; and experience hath already shewn, how great the advantage is to the *Insured*, from those Industrious men they keep to Extinguish the Fires; like Old Disciplin'd Souldiers, that do greater things, then *Ten* times that Number of Raw and Unexperienced men.

But in the *Friendly Society, the Loss is Paid by the Insured*; Therefore the *Insurers* cannot probably have so much damage when a *Fire* happens, as will equal the charge of keeping men to preserve their Houses; for they only run the hazard of paying for the *Insolvent*: now it is but a small sum of Money that the *Insured* Covenant to pay: Who are generally owners of Houses: And the obligation not longer than for a year: (for it is not to be supposed, that the Office should pay for any after they have forfeited their Interest;) *So that the Hazard is but to pay the Overplus of what is not Deposited in their Hands, if the Loss exceed it*, which cannot be considerable.

But if it should; They may (as sometimes the Parish Assessors) Rate those that are *Solvent* something the more, to pay for those

that are *Insolvent*: for considering the terms will daily expire. The many forfeitures and fractions, that must arise from the disproportion of the *Premiums*, No account can be made so plain as to discover it, or at least so easily, as to be worth any mans time to enquire into it to save a Shilling or two. So that tho those Gentlemen that now keep The Office, are men of that Known Worth and Honesty, as never to be suspected; yet by their death it may happen into such mens hands, as may gain by every *Fire*.

Thirdly, The *Fire Office* Insures at a Cheaper Rate; for in the *Friendly Society*, you are obliged to pay 6 s. 8 d. down for a hundred Pound in Brick, and double for Timber; and Covenant to pay your proportion of all the Losses within the term of *seaven years, not exceeding Thirty Shillings per Hundred Pound, and Double for Timber for one Loss, at one time*: So that if at several times the Losses amount to *Ten times Thirty Shillings* or more, in the *Seaven* years, you are obliged to pay it. And as the Chance at present appears, (by the Account of the *Fire Office*) it is more probable the Loss may Exceed *Thirty Shillings*, then be less. Therefore supposing *Thirty Shillings* for *Seven* years the medium; and *Nine Shillings Four Pence* for the *Seaven* years Rent; and Half a Crown for the Policy, makes in the *Total Forty One Shillings Ten Pence*, for *Insuring* of an *Hundred Pound* on a Brick House. Whereas in the *Fire Office* you may *Insure* the same sum, for the same term of years, for *Five and Twenty Shillings*, and *Two Shillings* the Policy; which is *one Third* Cheaper.

To Conclude, the *Friendly Society*, is a more *Profitable* design, than the *Fire Office*, for the *Insurers*: For they have the use of about a fourth part of the *Premiums*; And a yearly Rent, which is better than Interest for the remainder; with the running little or no hazard.

But the *Insured* are just in the same Condition or rather Worse than if they had not *Insured*: For *What ever the Loss be; It must be Paid, if ever, by the Insured, who are Owners of the Houses*; And then it is the same thing whether paid by Contribution, or Parternorship, or by every mans paying singly for his own. For what is saved by the Contribution, is lost by increase of the Hazard.

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For supposing that there are *One Hundred Thousand* Houses in

this City, or within the Bills of Mortality, and *One Thousand* of them are *Insured* by the *Friendly Society*; It is then but a Hundred to One, when any Fire Happens, that some of the *Insured Houses* are Burnt. And at the same time is one Hundred Thousand to One against any particular mans House *Not Insured*, that it is *Not Burnt*; So that it is an Equal Chance, That the whole *Thousand Houses Insured* Are Burnt, as soon as any particular House *Not Insured* is Burnt: For a *Thousand Hundreds to One*, makes *One Hundred Thousand to One*. As in the *Lottery* of the *Royal Oak*, It is an equal Chance, That a *Quarter Figure*, which is *Eight to One*, should Turn Up four times, as soon as a *Whole Figure* once, which is two and Thirty to One. For Four Eights makes Two and Thirty.

Now to make an Instance of this *Insurance*; Suppose *Three Hundred & Ten* Brick Houses in a Town, worth, one with another, *One Hundred Pound*; Of which number Three Hundred Are *Insured* by the *Friendly Society*, and Ten are *Not Insured*: And suppose it an Equal Chance, That Ten Houses may be every year Burnt. In one Month Four Houses are Burnt, which *Were Insured* at Three Hundred Pounds; So that by Twenty Shillings a House, among Three Hundred, the Loss is paid. Another Month Two Houses *Insured* at *One Hundred and Fifty Pound*, are *Burnt*, which comes to *Ten Shillings* the House. And within the year, Three more. And in Seven Years and a Half, a fourth part of the Town is (by Ten Houses in a Year) *Burnt and Rebuilt*; And no loss at one time, did Amount to *Four Hundred and Fifty Pounds*, which is *Thirty Shillings* a House: And yet upon Stating the Account, every man hath equally Lost a Fourth part of his House: Those that were Not Burnt, by paying the *Premiums*, to those that Were Burnt.

And supposing the *Society* to continue in this Friendship Thirty one Years; The whole Number of *Three Hundred and Ten* Houses Are Burnt; The Ten that were Not Insured, Were Burnt: And of the *Three Hundred* Insured, Some were Burnt Twice; Some Thrice; And some Never Burnt: And yet there is no Difference between the *Insured & Not Insured*. Betwixt those that Were Burnt; And Not Burnt. For every Man Lost his House, and every Man equally Paid for the Loss. Those that were not Burnt, lost their Houses, by Paying for those that were Burnt Twice, and Thrice: Only those that were *Insured* Lost their Houses Yearly, by contributing *Ten and Twenty Shillings* at a time, towards one anothers Losses; and those *Not Insured*, lost their Houses at Once. But then with this Advantage all the time, They made use of their own *Premiums*,

Saved the Rent of the Office, and Trouble of Examining Accounts.

But if the Instance be made, That the *Three Hundred* Houses were half Brick, and half Timber, Then the Difference will be Great; for the Timber paying Double *Premium*, and receiving it back Single, they will have lost their own Houses, and also have Paid for the Loss of the Brick Houses.

But the *Fire Office* is Much Better for the *Insured*; For the Loss is paid by the *Insurers*, and their Land is Morgaged for the Payment: For there can be no *Insurance*, unless there be a *Fund Settled*, that is both Certain and Able to make good the Loss.

These are the *Remarks* I have made, to which I Expect your Answer, with your further Order about *Insuring* your Houses.

SIR,
Your Humble Servant, *N. B.*
London, *Jan. 26. 84.*

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